

VZCZCXYZ0000
RR RUEHWEB

DE RUEHBU #0860/01 1752221
ZNR UUUUU ZZH
R 232221Z JUN 08
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC 1404
INFO RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHMFIUU/HQ USSOUTHCOM MIAMI FL
RUCNMER/MERCOSUR COLLECTIVE

UNCLAS BUENOS AIRES 000860

USDA FOR FAS/OA/OCRA/ONA/OGA/OFSO

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [EAGR](#) [ECON](#) [EINV](#) [PGOV](#) [ELAB](#) [PHUM](#) [AR](#)
SUBJECT: ARGENTINE FARM STRIKE SUSPENDED, GRAIN TRADE RESUMES

REF: Buenos Aires 0829 and previous

1. (SBU) Summary: Agricultural producers formally suspended the farm strike, and trucks carrying grains, oilseeds, and cattle started to arrive at processing plants and export terminals over the weekend. Producers and truckers have lifted most of the roadblocks around the country and, unlike the last strike suspension (two weeks ago), it appears that some normal trade is resuming this week. The dispute over the variable export tax continues, but the battlefield has changed, as both sides focus on the Argentine Congress to decide the issue. Faced with some wavering in its ranks, the GOA now admits that it may be necessary to make some changes in the proposal it submitted to Congress for ratification, but continues to insist that the basic variable export tax is untouchable. It remains to be seen whether the GOA will agree to modifications to the draft law acceptable to the farm sector to resolve the crisis or will try to use its large majority to ensure that the Congress simply ratifies the export tax. Producers are no longer on the highways, but they could return quickly if Congress simply approves the current export tax system. End Summary.

Grain is Now Moving

2. (SBU) Farm groups leading the agricultural strike formally suspended it at midnight on June 20 in order to concentrate on lobbying Congress to make changes in the government's variable export tax proposal. Contacts in the grain trade report that substantial amounts of grains and oilseeds are now moving to the main processing plants and export terminals. Movement of trucks with grains and oilseeds started slowly on June 21 and has picked up since then. Volumes entering Argentine ports on June 23 were still not up to normal, but the grain trade is in the process of normalizing. This is a major change from the last time the strike was suspended two weeks ago, when almost no movement of grain took place due to farmers holding back grains and a decision by truckers to continue blocking highways. Contacts report that the grains being delivered were previously contracted for sale, but that producers had been unable to make deliveries for the last 45 days because of the farm dispute. Prior to the suspension of the strike, a reported 120 ships were delayed in Argentina, accumulating substantial demurrage charges while waiting to load and transport grains and oilseeds.

3. (SBU) Movement of other products has also started to normalize as producers and truckers lifted roadblocks throughout the country. Fuel trucks are now reaching rural areas and cities that were suffering shortages due to the blockades, and supermarkets that were suffering spot shortages are now able to resupply. The livestock market in Liniers (the main market outside of Buenos Aires) on June 23 had its busiest day since 1991, with 27,000 head of cattle being delivered for sale. This is substantially more than the 10,000

cattle delivered during the entire preceding week. Producers took advantage of the break in the strike to sell cattle that have been ready for market for some time. Many were anxious to sell their cattle due to very dry weather that has limited the amount of pasture available.

All Eyes on Congress

14. (SBU) The battlefield in the debate over variable export taxes has now changed to the Congress (reftel). While the government has a large majority, it faces heavy pressure from producers and members of its own coalition to make changes in the variable export tax regime. The GOA has backed down from its original position that the Congress should approve the government proposal without modifications ("not even a comma"). It continues to insist, however, that any modifications leave intact the variable export tax regime (the export tax was 46 percent on June 20) and that changes be limited to supplemental measures to address other concerns of producers, including modifying export restrictions currently in place for wheat, beef, and dairy, as well as possible input subsidies.

15. (SBU) The Congress started debate on the variable export tax on June 23 amidst heavy lobbying by producers and elected officials from agricultural regions. President Fernandez de Kirchner (CFK) also agreed to meet with the four main farm leaders the same day in an effort to rebuild confidence. She had criticized the same farm leaders the previous week for blocking highways (reftel). The farm leaders will reportedly ask that the government suspend the export tax until it is approved by Congress, and will request discussions on other agricultural issues such as dairy products, livestock production and other products affected by heavy government intervention to maintain low domestic prices.

16. (SBU) COMMENT: The decision of CFK to send the variable export tax to the Congress has significantly eased tensions in Argentina. While it is highly unlikely that the CFK administration will agree to the farm organizations' request to suspend variable export taxes pending Congressional consideration, it remains to be seen whether the GOA will agree to farm-friendly modifications to the draft law to resolve the crisis or will try to use its large majority and power of the purse to ensure that Congress simply ratifies the export tax. For the five years the Kirchners have been in power, they have pushed through legislation virtually at will. Times have changed. This is their first test in maintaining party discipline in this new situation. For example, the provinces most deeply involved and affected by the crisis account for more than half of the deputies in the Congress. Contacts in rural areas report that mayors who came out in support of the government during this dispute have been forced to run their municipalities from Buenos Aires due to their rural constituents' hostility, and numerous deputies voting with the government would likely face the same fate. On the other hand, Nestor Kirchner (in his peronist party role) and others are working hard to maintain deputies' loyalty. Producers are no longer on the highways, but they could return rapidly if they are unhappy with the outcome in Congress. END COMMENT.

WAYNE